

**TOWNSHIP OF ROSCOMMON
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005**

72-1110

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Township of Roscommon	County Roscommon
Audit Date March 31, 2005	Opinion Date June 3, 2005	Date Accountant Report Submitted To State: July 19, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASL GU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name):

KESKINE, COOK, MILLER & ALEXANDER, LLP

Street Address

100 West 1st Street

City

Gaylord

State

MI

ZIP

49735

Accountant Signature

Walter J. K.

TOWNSHIP OFFICIALS

SUPERVISOR

DIANE RANDALL

CLERK

BARBARA STEVENSON

DEPUTY CLERK

ANDEE HEISTAND

TREASURER

MARY ANN HOSE

DEPUTY TREASURER

KATHY LEWIS

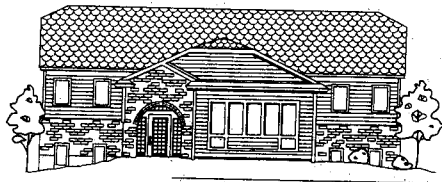
TRUSTEES

THOMAS AKIN

RICHARD PASTULA

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Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

June 3, 2005

To the Township Board
Roscommon Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Roscommon, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

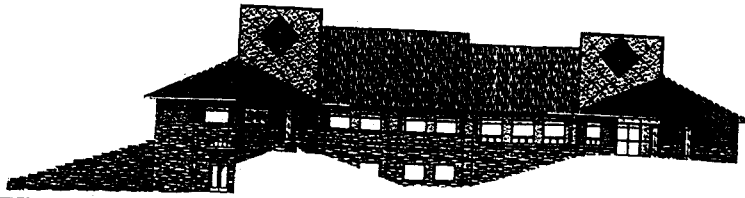
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Roscommon as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 36-45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

K.K. Cook Miller ; alexander LLP
KESKINE, COOK, MILLER & ALEXANDER, LLP



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TOWNSHIP OF ROSCOMMON MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2005

This section of Roscommon Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at March 31, 2005 totaled approximately \$3,700,000 for governmental activities and \$6,200,000 for business-type activities. Of these totals, approximately \$2,200,000 and \$3,000,000, respectively, represent capital assets net of depreciation.

Revenues derived from governmental activities were approximately \$1,200,000 (\$100,000 from program revenues and \$1,100,000 from general revenues). Overall expenses for the Township's governmental activities approximated \$1,300,000.

Revenues derived from business-type activities totaled approximately \$350,000 (\$300,000 from user charges and \$50,000 from general revenues.) Expenditures were approximately \$450,000 which includes a one-time write-off of \$126,664 relating to capitalized engineering costs from the year ended March 31, 1998.

The Township incurred two new debt instruments during the year and retired one note payable fully. The township purchased approximately \$375,000 in capital assets. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Fiduciary Funds: The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's net assets – governmental activities increased approximately \$27,000 or 1% during the year to total \$3,695,157. Net assets for business-type activities decreased approximately \$85,000 or 1.4% to total \$6,232,603.

Governmental Activities: The increase in net assets for governmental activities is due primarily to an increase in property tax revenues.

Business Type Activities: The decrease in net assets for business-type activities can be attributed to the one-time write-off of engineering costs that were capitalized during the year ended March 31, 1998.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund- This fund is used to record all activities of the Township not required to be recorded in a separate fund. The major source of revenue for the general fund is from the Township tax base, and revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Township.

Fire Operating Fund- This fund is used to account for the purchase of fire equipment. Funding comes from an addition of fire equipment property tax levy.

Fire Equipment – This fund is used to account for the purchase of fire equipment. Funding comes from an addition of fire equipment property tax levy.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS (CONTINUED)

Roads Fund – This fund is used to account for financial transactions related to the repair and maintenance of the Township's roads. Revenues consist mainly of property taxes.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Township, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General, Fire Operating, Fire Equipment, Trash and Roads Funds. Sewer utility activities are treated as business-type activities where the revenues of the activity are designed to pay for the operations of the activity.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the

FUND FINANCIAL STATEMENTS (CONTINUED)

Differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

Enterprise Funds: These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operation of the activity. These funds are presented on a full accrual method and will show no difference between the Township's government-wide statements and fund statements presentation.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets:

Significant additions to Township's assets for this year include the following: Lakefront property for future park (\$325,000), new accounting software for the Clerk's office (\$2,300), new computer equipment (\$7,400), purchase of an aerial ladder fire truck (\$6,100), repair of pump on Fire truck 521 (\$3,500), kitchen for Community Hall (\$13,000), driveway at Airport (\$1,000), and repair to softball fencing (\$1,324).

Approximately \$127,000 in engineering costs were capitalized during the year ended March 31, 1998. These costs which were incurred to plan for the expansion of the sewer system to South Houghton Lake Forest Estates had an estimated useful life of 10 years. Although the Township encourages all residents to join into the sewer system, management does not consider the likelihood of South Houghton Lake Forest Estates to join the sewer system prior to the expiration of the engineering costs useful life to be probable. As a result, management has elected to write-off these capitalized costs even though the Township continues to attempt to recover these costs from the South Houghton Lake Forest Estates Association.

Long Term Debt:

Approximately \$84,000 of debt was retired during the current year through the scheduled payments for previously existing debt.

The Township entered into two additional loans totaling approximately \$525,000 during the year to finance the purchase of lakefront property for the future construction of a Township park and to finance road improvements.

The lakefront land financing is a land contract for \$275,000 through a leasing company and is repayable in annual installments of approximately \$34,000, including interest at 4.23%, through March 2015.

The road improvements were financed via an inter-governmental loan from the Sewer fund in the amount of \$250,000. Payments of \$58,000, including interest at 3.0%, are repayable to the Sewer fund through 2009.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

- The Houghton Lake Sewer Authority (comprised of Lake, Roscommon and Denton Townships) operates an aerated lagoon wastewater treatment system located on Harrison Road. The plant property is located in Section 9, of Roscommon Township, Roscommon County, Michigan. The plant operates under a Michigan Department of Environmental Quality (MDEQ) discharge permit number MI-0028312.

In November, 2004, the MDEQ issued a Notice of Noncompliance to the Authority. The Notice required the Authority to develop a Corrective Action Plan for the noted deficiencies. Gosling, Czubak Engineering Sciences, Inc. of Traverse City were contracted to investigate the causes the past deficiencies, analyze alternative, and propose a specific corrective action plan for the Authority. Operational improvements to extend the life of the 30 year old plant will also be investigated. This project may cost up to \$6,500,000. It is uncertain at this time what percentage of this project will be Roscommon Township's obligation.

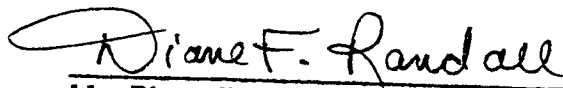
- Education and professionalism is a priority for the current Township Board. Currently all Board members are enrolled in the Michigan Townships Associations Governance Academy. This new program will focus on the broad strategic and policy aspects of governance, including opportunities for the Board to interact with other township officials which will challenge the Board members to a higher level of understanding through focused group discussions with other classmates.
- The addition to the cemetery is entering into the surveying and road maintenance phase of the project. Approximately 255 additional lots will be available after the survey is complete.
- The Roscommon Township Fire Department has created a committee to investigate locations for a new Fire Hall.
- The purchase of video equipment for the Community Hall is being investigated along with the continuation of a computer equipment replacement plan will be entering its second year.
- An Ordinance proposing a payment in lieu of taxes program is being prepared. Houghton Heights Manor was developed nearly twenty-five years ago to serve the affordable housing needs of elderly residents of Roscommon Township under the program then known as Farmers Home Administration, now know as Rural Development. Although occupancy has been maintained at an acceptable level, the property is now in serious need of rehabilitation. Stabilization of the real estate tax burden for the property will allow developers to spend over eight hundred thousand dollars towards the rehabilitation. Taxes would be calculated as a percentage of the net of rents less utilities.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS (CONTINUED)

- State Shared Revenues decreased approximately \$19,000 from approximately \$376,000 for the year ended March 31, 2004 to approximately \$357,000 for the year ended March 31, 2005. Projections show an additional 60% will be cut from the statutory portion of State Shared Revenues. The Township failed to pass two millage initiatives that would help alleviate this shortfall. One was to restore the Headlee Rollback on allocated millage to the Township and restore to 1.5 mills and another was a street light millage. These millages will have to be revisited in the future to help balance the shortfall.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact Ms. Diane F. Randall, Supervisor, at 8555 Knapp Road, PO Box 610, Houghton Lake, MI 48629, or by calling (989) 422-4116 during the hours of 8:30 AM to 4:00 PM.


Ms. Diane Randall, Township Supervisor

**TOWNSHIP OF ROSCOMMON
STATEMENT OF NET ASSETS
MARCH 31, 2005**

ASSETS	GOVERN- MENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
Current Assets:			
Cash and Equivalents	\$ 1,418,563	\$ 863,894	\$ 2,282,457
Investments	-	1,722,431	1,722,431
Receivables:			
Accounts, Net of Allowance	-	136,157	136,157
Special Assessments Receivable	-	150,372	150,372
Delinquent Taxes Due from County	92,302	-	92,302
Due from Tax Collection Fund	4,889	20,880	25,769
Note Receivable from General Fund - Current Portion	-	79,080	79,080
Interest Receivable	-	11,394	11,394
Total Current Assets	1,515,754	2,984,208	4,499,962
Non-Current Assets:			
Note Receivable from General Fund - Non-Current Portion	-	249,841	249,841
Capital Assets	2,771,041	4,505,919	7,276,960
Accumulated Depreciation	(591,638)	(1,507,365)	(2,099,003)
Total Non-Current Assets	2,179,403	3,248,395	5,427,798
Total Assets	3,695,157	6,232,603	9,927,760
LIABILITIES			
Current Liabilities:			
Accounts Payable	8,600	-	8,600
Accrued Interest	9,220	-	9,220
Due to Other Governmental Agencies	50,059	-	50,059
Current Portion of Notes Payable	68,254	-	68,254
Note payable to sewer fund - Current Portion	79,080	-	79,080
Total Current Liabilities	215,213	-	215,213
Long-Term Liabilities:			
Notes Payable	315,779	-	315,779
Note Payable to Sewer Fund	249,841	-	249,841
Total Long-Term Liabilities	565,620	-	565,620
Total Liabilities	780,833	-	780,833
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,466,449	2,998,554	4,465,003
Net Assets, Restricted for:			
Fire Protection	415,931	-	415,931
Fire Equipment	73,149	-	73,149
Trash Collection	243,123	-	243,123
Road Repair and Maintenance	238,959	-	238,959
Sewer Utilities	-	3,234,049	3,234,049
Unrestricted	476,713	-	476,713
Total Net Assets	\$ 2,914,324	\$ 6,232,603	\$ 9,146,927

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005**

	P R O G R A M R E V E N U E S			NET (EXPENSE)/REVENUES AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES
GOVERNMENTAL ACTIVITIES						
Township Administration	\$ (314,306)	\$ 12,003	\$ -	\$ -	\$ (302,303)	\$ -
Township Hall and Grounds	(50,874)	5,383	-	-	(45,491)	-
Airport	(9,088)	3,840	-	-	(5,248)	-
Ambulance Services	(219,487)	5,000	-	-	(214,487)	-
Cemetery	(16,498)	5,989	-	-	(10,509)	-
Fire Protection	(158,442)	-	-	-	(158,442)	-
Building Agency	(69,995)	69,995	-	-	-	-
Parks and Recreation	(35,636)	-	-	-	(35,636)	-
Law Enforcement	(19,143)	-	-	-	(19,143)	-
Roads Repair and Maintenance	(206,706)	-	-	-	(206,706)	-
Trash Pickup Services	(190,057)	-	-	-	(190,057)	-
Zoning	(20,162)	9,863	-	-	(10,299)	-
Interest on Long-Term Debt	(13,096)	-	-	-	(13,096)	-
Total Governmental Activities	(1,323,490)	112,073	-	-	(1,211,417)	-
BUSINESS-TYPE ACTIVITIES						
Sewer Utilities	(296,538)	297,654	-	-	-	1,116
Total Government	(1,620,028)	409,727	-	-	(1,211,417)	1,116
GENERAL REVENUES						
Property Taxes					659,958	659,958
Property Tax Administration Fee					36,674	36,674
State Shared Revenues					356,808	356,808
Interest Income					14,684	62,781
Other					18,538	(108,126)
Total General Revenues					1,086,662	1,008,095
Change In Net Assets Before Transfers to Other Governments					(124,755)	(202,206)
Transfers to Other Governments					(315,283)	(315,283)
Change in Net Assets					(440,038)	(517,489)
Net Assets - April 1					3,354,362	9,673,337
Change in Unrealized Loss on Investments					-	(8,921)
Net Assets - March 31					\$ 2,914,324	\$ 9,146,927

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005**

	M A J O R G O V E R N M E N T A L F U N D S						
	HOUGHTON						
	GENERAL	AMBU- LANCE	LAKE AMBU- LANCE	FIRE OPER- ATING	FIRE EQUIP- MENT	TRASH	ROADS
ASSETS							TOTAL
Cash and Equivalents	\$ 461,832	\$ 50,059	\$ -	\$ 398,051	\$ 65,109	\$ 212,817	\$ 230,695
Receivables:							\$ 1,418,563
Delinquent Taxes	21,682	-	-	24,274	7,910	30,306	8,130
Due from Tax Collection Fund	4,225	-	-	400	130	-	134
Total Assets	487,739	50,059	-	422,725	73,149	243,123	238,959
							1,515,754
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts Payable	1,806	-	-	6,794	-	-	-
Due to Other Governments	-	50,059	-	-	-	-	-
Total Liabilities	1,806	50,059	-	6,794	-	-	-
Fund Equity:							
Fund Balances -							
Undesignated	461,693	-	-	415,931	73,149	243,123	238,959
Designated	24,240	-	-	-	-	-	-
Total Fund Equity	485,933	-	-	415,931	73,149	243,123	238,959
Total Liabilities and Fund Equity	\$ 487,739	\$ 50,059	\$ -	\$ 422,725	\$ 73,149	\$ 243,123	\$ 238,959
							\$ 1,515,754

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2005**

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 11)	\$ 1,457,095
Amounts reported for governmental activities in the Statement of Net Assets (page 9) are different because:	
Capital assets used in governmental activities are not financial resources and therefore not recorded in the funds	2,179,403
Long-term liabilities, including notes and interest payable are not due and payable in the current period and therefore are not reported in the funds	(722,174)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF NET ASSETS, PAGE 9)	\$ 2,914,324

See accompanying notes to financial statements.

TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2005

	M A J O R G O V E R N M E N T A L F U N D S						
	GENERAL	AMBU- LANCE	LAKE AMBU- LANCE	FIRE OPER- ATING	FIRE EQUIP- MENT	TRASH	TOTAL
Revenues							
Taxes & Assessments	\$ 161,144	\$ 1,530	-	\$ 187,204	\$ 61,031	\$ 187,846	\$ 661,486
State Shared Revenue	356,808	-	-	-	-	-	356,808
Charges for Services	58,097	-	-	-	-	-	58,097
Licenses and Permits	84,313	-	-	-	-	-	84,313
Interest Income	4,725	775	-	4,536	646	1,907	14,684
Other Revenue	16,849	-	-	3,737	-	1,232	275,732
Total Revenues	681,936	2,305	-	195,477	61,677	190,985	1,451,120
Expenditures							
General Government	361,969	-	-	-	-	-	361,969
Public Safety	124,146	1,200	-	130,023	-	-	255,369
Trash Collection	-	-	-	-	-	187,392	187,392
Airport	7,590	-	-	-	-	-	7,590
Recreation	82,430	-	-	-	-	-	82,430
Debt Service	31,090	-	-	-	56,598	-	87,688
Capital Outlay	-	-	-	-	6,424	-	19,785
Roads	27,297	-	-	13,361	-	-	203,315
Total Expenditures	634,522	1,200	-	143,384	63,022	187,392	1,205,538
Excess (Deficiency) of Revenues over Expenditures	47,414	1,105	-	52,093	(1,345)	3,593	245,582
Other Financing Sources (Uses):							
Operating Transfers In/(Out)	-	(230,083)	-	(37,000)	37,000	-	-
Transfer to Other Governmental Units	-	-	(85,200)	-	-	-	(315,283)
Total Other Financing Sources (Uses)	-	(230,083)	(85,200)	(37,000)	37,000	-	(315,283)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	47,414	(228,978)	(85,200)	15,093	35,655	3,593	(69,701)
Fund Balance - April 1	438,519	228,978	85,200	400,838	37,494	239,530	1,526,796
Fund Balance - March 31	\$ 485,933	\$ -	\$ -	\$ 415,931	\$ 73,149	\$ 243,123	\$ 1,457,095

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2005**

NET CHANGE IN FUND BALANCES - GOVERNMENTAL ACTIVITIES (PAGE 13)	\$ (69,701)
Amounts reported for governmental activities in the Statement of Activities (page 10) are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	102,329
Depreciation expense, recorded in the statement of activities but not the fund financial statements	(67,823)
Governmental funds do not record long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide statements, long-term debt is recorded and debt service payments are applied against the outstanding balances	(172,375)
Governmental funds report the transfer of assets to another government as expenditures. However, in the statement of activities, the cost of the assets were previously allocated over their useful lives.	(232,468)
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER STATEMENT OF ACTIVITIES, PAGE 10)	\$ (440,038)

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF FUND NET ASSETS
SEWER FUND
MARCH 31, 2005**

ASSETS

Current Assets:

Cash and Equivalents	\$ 863,894
Investments	1,722,431
Receivables:	
Accounts	136,157
Accrued Interest Receivable	11,394
Special Assessments Receivable	150,372
Due from Tax Collection Fund	20,880
Note Receivable from General Fund - Current Portion	79,080
Total Current Assets	<u>2,984,208</u>

Non-Current Assets:

Note Receivable from General Fund - Non-Current Portion	249,841
Capital Assets	4,505,919
Construction in Progress	-
Accumulated Depreciation	(1,507,365)
Total Non-Current Assets	<u>3,248,395</u>
Total Assets	<u>6,232,603</u>

NET ASSETS

Invested in Capital Assets	2,998,554
Restricted for Sewer Utilities	3,242,970
Unrealized Loss on Investments	(8,921)
Total Net Assets	<u>\$ 6,232,603</u>

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
SEWER FUND
YEAR ENDED MARCH 31, 2005**

Operating Revenue	
Usage Fees	\$ 288,954
Permit Fees	8,700
Total Operating Revenue	<u>297,654</u>
Operating Expense	
Houghton Lake Sewer Authority	229,683
Professional Services	2,200
Miscellaneous Expenses	3,683
Depreciation Expense	60,972
Total Operating Expense	<u>296,538</u>
Net Operating Income	<u>1,116</u>
Non-Operating Revenue (Expense):	
Impairment of Long-term Assets	(126,664)
Investment Gain (Loss)	(8,503)
Interest Income	56,600
Total Non-Operating Revenue (Expense)	<u>(78,567)</u>
Net Loss	<u>(77,451)</u>
Fund Net Assets - April 1	6,318,975
Change in Unrealized Loss on Investments	(8,921)
Fund Net Assets - March 31	<u><u>\$ 6,232,603</u></u>

See accompanying notes to financial statements

**TOWNSHIP OF ROSCOMMON
STATEMENT OF CASH FLOWS
SEWER FUND
YEAR ENDED MARCH 31, 2005**

Cash flows from operating activities:

Cash received from customers	\$ 290,004
Cash payments to employees and professional contractors for services	(249,849)
Net cash provided by operating activities	<u>40,155</u>

Cash flows from non-capital financing activities:

Receipts under interfund loan agreements	27,699
Payments under interfund loan agreements	(250,000)
Net cash used by non-capital financing activities	<u>(222,301)</u>

Cash flows from capital and related financing activities:

Special assessment payments	38,250
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Cash flows from investing activities:

(Purchase)/redemption of investments	(8,166)
Investment income	39,177
Net cash provided by investing activities	<u>31,011</u>

Net decrease in cash and cash equivalents	<u>(112,885)</u>
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Cash and cash equivalents at April 1, 2004	<u>976,779</u>
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Cash and cash equivalents at March 31, 2005	<u><u>\$ 863,894</u></u>
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Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 1,116
Adjustment to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	60,972
Increase in accounts receivable	(21,933)
Net cash provided by operating activities	<u><u>\$ 40,155</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2005**

ASSETS

Cash - Current Year Tax Collection	\$	25,867
Delinquent Taxes Receivable		5,781
Total Assets		<u>31,648</u>

LIABILITIES

Due to Other Funds	25,769
Due to Other Governments	5,879
Total Liabilities	<u>31,648</u>

NET ASSETS

Net Assets Held in Trust for Other Governments	\$	<u><u>-</u></u>
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See accompanying notes to financial statements.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005**

NOTE A: ENTITY

The Township of Roscommon is a general law township of the State of Michigan, located in Roscommon County, Michigan. The Township of Roscommon operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Roscommon Township.

Included in Roscommon Township's financial statements are the activities of the Houghton Lake Sewer Authority and the Houghton Lake Building Agency. Other entities that are not included in the activities of Roscommon Township but effect the residents of the Township are the Houghton Lake Improvement Board and the Houghton Lake Ambulance Authority.

HOUGHTON LAKE SEWER AUTHORITY

The Townships of Roscommon, Denton and Lake (Roscommon County) formed the Houghton Lake Sewer Authority in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage facility for the benefit of the aforementioned three townships and for any other township municipality which hereafter joins in and becomes a part of such sewer and the related agreement all for the betterment of the health, safety, economy and general welfare of the participating municipalities. The authority is audited and submitted under separate cover (as a joint venture). The Sewer Authority's activities (Roscommon Township's share) are recorded in the Sewer Fund.

Pursuant to the formation of the Authority, the Roscommon County Department of the Public Works issued \$2,420,000 of bonds, whereupon each township assumed the responsibility of reimbursing the County for their respective share of the total bonds issued. These bonds have been fully retired. Denton and Lake Townships subsequently issued additional bonded debt to finance additions to the system, which are still outstanding.

Ownership of the public sanitary sewer system will remain with the Roscommon County Department of Public Works until all outstanding bonds issued by said department of the County of Roscommon (pertaining to the system) have been retired. Thereafter, all portions of the system shall become the property of the respective municipalities. The system is to be operated for the benefit of said participating municipalities both jointly and severally.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE A: ENTITY (CONTINUED)

HOUGHTON LAKE BUILDING AGENCY

The Houghton Lake Building Agency operates in several Townships. Roscommon Township's portion of the Agency's activities are recorded in the General Fund.

HOUGHTON LAKE IMPROVEMENT BOARD

In 2000, the County of Roscommon authorized the formation of the Houghton Lake Improvement Board for the purpose of protecting and improving the water quality of Houghton Lake from the infection of nonnative plants and vegetation that threaten the water quality of the lake.

The Board has formed a special assessment district composed of all parcels of land and local units which will be benefited from the improvements. The special assessment district includes properties in Markey, Lake, Roscommon and Denton Townships. It is funded by a special assessment, contributions from participating Townships, and state appropriations. The Houghton Lake Improvement Board is included in the Financial Statements of Denton Township as a component unit.

HOUGHTON LAKE AMBULANCE AUTHORITY

The ambulance authority, which is audited under a separate cover, was formed in 2004 to provide ambulance service to Roscommon and Lake Townships. Previous to the formation of the ambulance authority, Roscommon Township funded ambulance service for its residents through a joint venture with Lake Township. The joint venture was formerly included in Roscommon's financial statements as a blended component unit. During the year ended March 31, 2005, all assets of the joint venture were transferred to the Ambulance Authority.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Roscommon Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities for the year.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounting policies of Roscommon Township conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

Ambulance Fund – This fund is used to account for the payment to the Houghton Lake Ambulance Service other costs associated with receiving ambulance services.

Fire Operating Fund – This fund is used to account for the financial activities of the fire department. Revenues are derived primarily from property taxes collected for fire protection services.

Fire Equipment – This fund is used to account for the purchase of fire equipment. Funding comes from an addition of fire equipment property tax levy.

Trash Collection Fund – This fund is used to account for all financial transactions related to the Trash Collection service provided by the Township. Revenues are derived from property tax assessments.

Roads – This fund is used to account for road maintenance and improvements. Revenues are derived primarily from a property taxes collected for road maintenance and improvements.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Township reports the Sewer Fund as an enterprise fund.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund

Fiduciary funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township maintains a tax collection fund in this category.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property Taxes

The property tax calendar is as follows:

Lien Date	December 31, 2003	
Levy Dates	July 1, 2004	(summer collection)
	December 1, 2004	(winter collection)
Due Dates	September 15, 2004	(summer collection)
	February 15, 2005	(winter collection)

The real property tax rolls were turned over to the County of Roscommon on March 1, 2005. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The tax rates for the year ended March 31, 2005, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.3185 per \$1,000
Fire	1.9571 per \$1,000
Road	0.4944 per \$1,000
Trash	Assessment

Proprietary Fund Financial Statements

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The proprietary fund financial statements report using the full accrual method of accounting.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

The following ranges are proposed as guidelines in estimating useful lives for asset reporting:

Building improvements	25 – 40
Land improvements	10 – 20
Machinery & equipment	5 – 10
Vehicles	10 – 15

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Otherwise, the cost should be expensed as repair and maintenance.

BUDGETS

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. The budgets presented are the final amended amounts. Budgets close on March 31st each year.

For the fiscal year ended March 31, 2005, the Township experienced no over expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE C: CASH AND INVESTMENTS

The Township of Roscommon uses a common banking account to pool cash funds and enhance investment earnings. The various funds equity at March 31, 2005, is as follows:

	<u>COMMON CHECKING</u>
General Fund	\$ 25,049
Road Fund	9,503
Fire Equipment Fund	3,234
Trash Collection Fund	2,931
Fire Operating Fund	561
Ambulance Fund	544
	<u>\$ 41,822</u>

Interfund borrowings are common and normally short term in nature. The investments are cashed if necessary to eliminate negative balances.

All cash deposits are maintained in financial institutions in the Houghton Lake, Michigan area. The Township's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Township or by its agent in the Townships name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 - Uncollateralized.

FUND	BANK BALANCE	1	CATEGORY 2	3	CARRYING AMOUNT
Pooled Checking	\$ 50,792	\$ 50,792	\$ -	\$ -	\$ 41,822
General MMF	437,450	29,243	-	408,207	436,633
Trash MMF	210,283	14,057	-	196,226	209,886
Fire Op. MMF	398,216	26,620	-	371,596	397,490
Fire Eq. MMF	61,996	4,144	-	57,852	61,875
Ambulance MMF	49,607	3,316	-	46,291	49,515
Roads MMF	221,599	14,814	-	206,785	221,193
Sewer	865,272	90,949	-	774,323	863,893
Petty Cash	-	-	-	-	150
Total	<u>\$ 2,295,215</u>	<u>\$ 233,935</u>	<u>\$ -</u>	<u>\$ 2,061,280</u>	<u>\$ 2,282,457</u>
Trust & Agency	<u>\$ 25,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,867</u>	<u>\$ 25,867</u>

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's investments are as follows:

- (1) Insured or securities held by the Township or the Township's agent in the Township's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
- (3) Uninsured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

Certificates of deposit are stated at cost, which approximates fair market value. Bonds are stated at fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at March 31, 2005, consist of the following:

	1	CATEGORY 2	3	CARRYING AMOUNT
Sewer Fund:				
Certificates of deposit	\$ 66,856	\$ 184,815	\$ -	\$ 251,671
Bonds	-	1,479,681	-	1,470,760
Total Investments	<u>\$ 66,856</u>	<u>\$ 1,664,496</u>	<u>\$ -</u>	<u>\$ 1,722,431</u>

Investing is performed in accordance with a Township investment policy, complying with state statutes.

During the year ended March 31, 2005, the Township realized a net loss of \$8,503 from the sale of bond investments. The calculation of realized gains / losses are independent of the calculation of the net increase / decrease in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The unrealized loss on bond investments held at year-end was \$8,921 and is reported on the Sewer Fund's Statement of Net Assets as an adjustment to net assets.

TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE D: ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2005 consists of the following:

Delinquent property taxes to be received from the County:

General	\$ 21,682
Fire Operating	24,274
Fire Equipment	7,910
Trash	30,306
Roads	8,130
Total	<u>\$ 92,302</u>

Customer accounts receivable – Sewer Fund:

Due from Houghton Lake Sewer Authority - Current	\$ 18,477
Delinquent balances turned over to County	13,674
Due from customers:	
Current	86,590
30 - 90 days	10,580
Over 90 days	4,986
Interest	1,850
Total	<u>\$ 136,157</u>

Customer accounts are managed and collected by the Houghton Lake Sewer Authority. No allowance for doubtful accounts is required since delinquent accounts are added annually to the tax rolls and become liens on the property.

Sewer special assessments receivable:

The Township has levied special assessments on new properties hooking into the sewer system based on front footage to finance additions and to maintain the system.

Such assessments are collected over a 15-20 year period \$ 150,372

TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

Amounts collected in the current tax collection fund had not been distributed at March 31, 2005, to the following funds:

General fund	\$ 4,225
Roads fund	134
Fire Operating fund	400
Fire Equipment fund	130
Sewer fund	20,880
Total	<u>\$ 25,769</u>

NOTE F: CAPITAL ASSETS

	Balance April 1, 2004	Additions	Disposals	Transfer To Other Governments	Balance March 31, 2005
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 586,410	\$ 325,000	\$ (4,500)	\$ -	\$ 906,910
Capital assets being depreciated					
Buildings and grounds	969,603	1,000	-	-	970,603
Vehicles	951,825	6,000	-	(257,706)	700,119
Machinery and equipment	148,605	16,872	-	(36,174)	129,303
Furniture and fixtures	-	16,602	-	-	16,602
Computer equipment	51,015	11,453	(2,848)	(12,116)	47,504
Subtotal	2,121,048	51,927	(2,848)	(305,996)	1,864,131
Accumulated Depreciation					
Buildings and grounds	193,474	19,519	-	-	212,993
Vehicles	291,792	34,806	-	(26,619)	299,979
Machinery and equipment	63,668	7,045	-	(12,688)	58,025
Furniture and fixtures	-	736	-	-	736
Computer equipment	19,890	5,718	(2,820)	(2,883)	19,905
Subtotal	568,824	67,824	(2,820)	(42,190)	591,638
Net capital assets being depreciated	1,552,224	(15,897)	(28)	(263,806)	1,272,493
Net capital assets	<u>\$ 2,138,634</u>	<u>\$ 309,103</u>	<u>\$ (4,528)</u>	<u>\$ (263,806)</u>	<u>\$ 2,179,403</u>

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE F: CAPITAL ASSETS (CONTINUED)

Business-type Activities	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Total</u>
Capital assets not being depreciated:				
Land	\$ 11,126	\$ -	\$ -	\$ 11,126
Capital assets being depreciated:				
Machinery and equipment	4,494,793	-	-	4,494,793
Accumulated depreciation:				
Machinery and equipment	<u>1,446,393</u>	<u>60,972</u>	<u>-</u>	<u>1,507,365</u>
Net capital assets being depreciated	<u>3,048,400</u>	<u>(60,972)</u>	<u>-</u>	<u>2,987,428</u>
Net capital assets	<u>\$ 3,059,526</u>	<u>\$ (60,972)</u>	<u>\$ -</u>	<u>\$ 2,998,554</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental Activities		Business-type Activities	
Township administration	\$ 5,009	Sewer utilities	<u>\$ 60,972</u>
Airport	2,498		
Parks	3,605		
Elections	1,150		
Fire protection	37,930		
Cemetery	1,652		
Transfer station	2,665		
Township hall and grounds	<u>13,315</u>		
Total	<u>\$ 67,824</u>		

During the year ended March 31, 1998, the Township spent \$126,664 on engineering costs to plan for the future sewer expansion to South Houghton Lake Forest Estates. This cost was recorded as construction in process and has remained on the books through the year ended March 31, 2004. The engineering costs were estimated to have a ten-year useful life. As of March 31, 2005, the sewer system has not been expanded to include South Houghton Lake Estates, and there are no plans to do so in the near future. As a result, this construction in process has been expensed in the year ended March 31, 2005.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE G: LONG-TERM DEBT

The Township is obligated for the following debt instruments:

SEWER/ROAD IMPROVEMENT NOTE 1

In July 1992, the Sewer Fund loaned Roscommon Township \$300,000 for road improvements. The note is to be paid by the General Fund in annual installments of \$31,090 including interest at 3.18% through July, 2007. The balance of the note as of March 31, 2005 is \$78,921.

SEWER/ROAD IMPROVEMENT NOTE 2

In April 2004, the Sewer fund loaned Roscommon Township \$250,000 for road improvements. The note is to be paid by the General Fund in annual installments of \$58,000 including interest at 3.00% through April, 2009. The balance of the note as of March 31, 2005 is \$250,000.

FIRE TRUCK NOTE

In June 2001, Roscommon Township entered into an installment purchase contract with Bank One for \$260,000 which is to be paid directly from the Township's Fire Equipment Fund in monthly installments of \$4,136, including interest at 4.57% through July, 2007. The balance of the note at March 31, 2005 is \$109,033.

PARK NOTE

In March 2005, Roscommon Township entered into a land contract purchase contract with Chase Equipment Leasing for \$275,000 to purchase a parcel of Houghton Lakeshore property to construct a Township park. The loan is repayable in annual installments of \$34,294, including interest at 4.23% through March 2015. The balance of the note at March 31, 2005 is \$275,000.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE G: LONG-TERM DEBT (CONTINUED)

The following is a summary of the debt outstanding of the Township as of March 31, 2005:

Governmental Activities	Balance April 1, 2004	Issued	Retired	Balance March 31, 2004
Major Governmental Funds				
Sewer/Road Note 1	\$ 106,621	\$ -	\$ 27,700	\$ 78,921
Sewer/Road Note 2	-	250,000	-	250,000
Fire Truck Note	165,632		56,599	109,033
Park Note	-	275,000	-	275,000
Total	<u>\$ 272,253</u>	<u>\$ 525,000</u>	<u>\$ 84,299</u>	<u>\$ 712,954</u>

The annual principal and interest requirements for the years ending March 31, 2006 through maturity for all debts outstanding as of March 31, 2005 are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 147,334	\$ 25,679	\$ 173,013
2007	152,843	20,168	173,011
2008	114,769	14,909	129,678
2009	80,844	11,450	92,294
2010	65,473	8,710	74,183
2011 - 2015	151,692	19,781	171,473
Total	<u>\$ 712,955</u>	<u>\$ 100,697</u>	<u>813,652</u>

The Township is in compliance with all material note provisions at March 31, 2005.

NOTE H: FUND BALANCE / NET ASSETS

DESIGNATED FUND BALANCE

The designated fund balance consists of the following:

Cemetery Perpetual Care	<u>\$ 24,240</u>
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**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE H: FUND BALANCE / NET ASSETS (CONTINUED)

RESTRICTED NET ASSETS

Net assets have been restricted as noted in the Statement of Net Assets according to the purpose for which the respective revenues were generated.

NOTE I: OPERATING LEASE

The Township is obligated under a 48 month operating lease dated November 15, 2000 for a Xerox copier requiring payments of \$76 per month plus per copy charges.

NOTE J: PENSION PLAN

The Township of Roscommon contributes to a pension plan which is a defined contribution pension plan administered by the Manufactures Life Insurance company.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the completion of 1 year of service, all full-time and permanent part-time employees between the ages of 21-70 are eligible to participate in the plan. Contributions made by the Township and employees vest immediately. The participant will receive benefits upon termination of employment with the Township.

The plan requires the Township to contribute 10% of the eligible employees wages. Additionally, each participant contributes 10% of their salary. During the year the Township contributed \$9,224 to the plan, which was the amount necessary to meet the township's current year obligation.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**TOWNSHIP OF ROSCOMMON
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005**

NOTE K: INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in the Michigan Township Participating Plan, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage.

In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

NOTE L: COMMITMENT

In November 2002, the Township entered into a 5-year contract commencing April 1, 2003 and ending March 31, 2008 with Waste Management of Michigan, Inc. for trash collection services. The monthly fee for services is approximately \$13,420 for the first year and may increase from 3-5% in subsequent years.

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 155,552	\$ 155,552	\$ 161,144	\$ 5,592
State Shared Revenues:				
Sales, Income and SBT Taxes	300,000	300,000	304,134	4,134
State Swamp Tax	41,000	41,000	45,782	4,782
State Liquor Tax	6,200	6,200	6,892	692
Total State Shared Revenues	347,200	347,200	356,808	9,608
Charges for Services:				
Property Tax Administration Fee	35,000	35,000	36,674	1,674
Administration - Fire Operating	2,000	2,000	2,000	-
Administration - Sewer Fund	1,000	1,000	1,000	-
School Tax Collection Fees	11,867	11,867	11,866	(1)
Other	600	600	6,557	5,957
Total Charges for Services	50,467	50,467	58,097	7,630
Licenses and Permits:				
Zoning Permits	5,040	5,040	9,320	4,280
Cemetery Lots	2,425	2,425	4,998	2,573
Agency Revenue	66,510	66,510	69,995	3,485
Total Licenses and Permits	73,975	73,975	84,313	10,338
Interest Income:				
Interest on Investments	2,000	2,000	4,725	2,725
Other Income:				
Refunds and Reimbursements	1,500	1,500	9,852	8,352
Miscellaneous Income	4,250	4,250	1,046	(3,204)
Miscellaneous - Cemetery	-	-	2,111	2,111
Miscellaneous - Airport	2,500	2,500	3,840	1,340
Total Other Income	8,250	8,250	16,849	8,599
Total Revenues	637,444	637,444	681,936	44,492

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries	7,250	7,250	7,250	-
Fringe Benefits	13,000	13,000	12,184	816
MESC	4,500	4,500	937	3,563
Cancer, Life and Health Insurance	55,750	55,750	49,728	6,022
Office Supplies	4,500	4,500	4,546	(46)
Rug rental	7,566	7,566	7,349	217
Secretary	20,290	20,290	19,684	606
Audit	3,000	3,000	3,065	(65)
Legal Fees	10,000	10,000	6,562	3,438
Advertising	2,000	2,000	1,349	651
Dues and Membership	3,000	3,000	2,803	197
Education and Training	2,500	2,500	1,974	526
Travel	1,500	1,500	2,978	(1,478)
Retirement	11,000	11,000	6,978	4,022
Postage	4,000	4,000	3,074	926
Insurance - Liability	6,725	6,725	7,269	(544)
Miscellaneous	1,734	1,734	3,075	(1,341)
Office Equipment and Repair	7,000	7,000	10,040	(3,040)
Total Township Board	165,315	165,315	150,845	14,470
Supervisor:				
Salaries	22,775	22,775	22,775	-
Travel	450	450	179	271
Total Supervisor	23,225	23,225	22,954	271
Election:				
Wages	4,000	4,000	3,906	94
Office Supplies	3,000	3,000	1,935	1,065
Travel	900	900	914	(14)
Equipment	1,500	1,500	(56)	1,556
Miscellaneous	1,000	1,000	223	777
Total Election	10,400	10,400	6,922	3,478
Assessor:				
Salaries	43,095	43,095	43,096	(1)
Equilization Charges	4,620	4,620	4,628	(8)
Office Supplies	1,172	1,172	717	455
Postage	1,800	1,800	1,780	20
Technical Support	1,200	1,200	1,200	-
Education and Training	800	800	638	162
Total Assessor	52,687	52,687	52,059	628

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
GENERAL GOVERNMENT (CONT.)				
Clerk:				
Wages	21,935	21,935	21,935	-
Deputy	16,726	16,726	17,449	(723)
Travel	450	450	514	(64)
Technical Support	525	525	754	(229)
Equipment	500	500	4,059	(3,559)
Total Clerk	40,136	40,136	44,711	(4,575)
Board of Review:				
Salaries	1,300	1,300	780	520
Advertising	135	135	120	15
Education and Training	200	200	165	35
Travel	60	60	-	60
Office Supplies	100	100	28	72
Total Board of Review	1,795	1,795	1,093	702
Treasurer:				
Salaries	17,575	17,575	17,575	-
Deputy Treasurer Wages	10,540	10,540	10,706	(166)
Administration - Sewer	2,550	2,550	1,000	1,550
Equipment	500	500	200	300
Technical Support	-	-	2,020	(2,020)
Total Treasurer	31,165	31,165	31,501	(336)
Summer Tax Collection:				
Summer Tax Treasurer Salary	4,200	4,200	4,270	(70)
Social Security	642	642	750	(108)
Accountant Wages	840	840	1,305	(465)
Clerical Wages	3,360	3,360	2,616	744
Tax Roll Prep	3,060	3,060	3,085	(25)
Travel	100	100	50	50
Retirement	840	840	840	-
Postage	1,984	1,984	1,184	800
Total Summer Tax Collection	15,026	15,026	14,100	926

TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
GENERAL GOVERNMENT (CONT.)				
Township Hall:				
Custodial Supplies	1,500	1,500	1,691	(191)
Repair and Maintenance	7,200	7,200	7,471	(271)
Mowing and Plowing	2,500	2,500	412	2,088
Telephone	3,800	3,800	3,136	664
Heat	3,500	3,500	1,953	1,547
Sewer Usage	576	576	576	-
Electricity	4,800	4,800	4,924	(124)
Hall Deposit Returned	5,800	5,800	4,538	1,262
Building Additions and Improvements	5,000	5,000	13,083	(8,083)
Total Township Hall	34,676	34,676	37,784	(3,108)
Total General Government	374,425	374,425	361,969	12,456
PUBLIC SAFETY				
Ordinance Officer:				
Wages	13,608	13,608	14,131	(523)
Supplies	100	100	100	-
Travel and Miscellaneous	3,400	3,400	4,912	(1,512)
Total Ordinance Officer	17,108	17,108	19,143	(2,035)
Cemetery:				
Wages	9,172	9,172	11,464	(2,292)
Electricity	450	450	368	82
Repairs and Improvements	7,000	7,000	257	6,743
Snowplowing	1,000	1,000	745	255
Miscellaneous	2,850	2,850	2,012	838
Total Cemetery	20,472	20,472	14,846	5,626
Building Agency	66,510	66,510	69,995	(3,485)
Zoning:				
Wages	17,378	17,378	15,628	1,750
Legal Fees	5,000	5,000	1,926	3,074
Advertising	2,000	2,000	704	1,296
Education and Training	1,000	1,000	230	770
Travel	700	700	561	139
Postage	5,500	5,500	1,113	4,387
Total Zoning	31,578	31,578	20,162	11,416
Total Public Safety	135,668	135,668	124,146	11,522

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
AIRPORT				
Airport Manager	1,200	1,200	1,200	-
Insurance - Airport Liability	2,400	2,400	1,960	440
Heat	700	700	636	64
Electric	800	800	557	243
Sewer Usage	144	144	144	-
Improvements	4,000	4,000	1,000	3,000
Equipment	2,000	2,000	1,235	765
Maintenance	2,000	2,000	858	1,142
Total Airport	13,244	13,244	7,590	5,654
RECREATION				
Wages - Park	6,566	6,566	7,071	(505)
Improvements	11,000	61,000	53,499	7,501
Equipment Repair and Maintenance	2,000	2,000	2,234	(234)
Utilities	2,250	2,250	15,068	(12,818)
Travel	2,500	2,500	1,455	1,045
Milfoil Assessment	25,000	25,000	-	25,000
Miscellaneous	4,100	4,100	3,103	997
Total Recreation	53,416	103,416	82,430	20,986
DEBT SERVICE PAYMENTS	31,091	31,091	31,090	1
ROADS				
Street Lights	28,000	28,000	26,595	1,405
Maintenance	1,000	1,000	702	298
Total Roads	29,000	29,000	27,297	1,703
Total Expenditures	636,844	686,844	634,522	52,322
Excess (Deficiency) of Revenues over Expenditures	600	(49,400)	47,414	96,814
OTHER FINANCING USES				
Operating Transfers Out	-	(20,000)	-	20,000
Excess (Deficiency) of Revenues over Expenditures and Other Uses	600	(69,400)	47,414	116,814
Fund Balance - April 1	306,970	306,970	438,519	131,549
Fund Balance - March 31	<u>\$ 307,570</u>	<u>\$ 237,570</u>	<u>\$ 485,933</u>	<u>\$ 248,363</u>

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
AMBULANCE FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 224,500	\$ 224,500	\$ 1,530	\$ (222,970)
Ambulance Collection	240,000	240,000	-	(240,000)
Interest Income	-	-	775	775
Total Revenues	464,500	464,500	2,305	(462,195)
EXPENDITURES				
Capital Outlay - Ambulance Purchase	15,000	15,000	-	15,000
Repairs, Maintenance, and Other	1,100	1,100	1,200	(100)
Total Expenditures	16,100	16,100	1,200	14,900
Excess (Deficiency) of Revenues over Expenditures	448,400	448,400	1,105	447,295
OTHER FINANCING SOURCES/(USES)				
Operating Transfer to Houghton Lake Ambulance Service	(408,100)	(408,100)	(230,083)	178,017
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	40,300	40,300	(228,978)	(269,278)
Fund Balance - April 1	178,919	178,919	228,978	(50,059)
Fund Balance - March 31	\$ 219,219	\$ 219,219	\$ -	\$ (219,219)

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE OPERATING FUND
MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 159,800	\$ 159,800	\$ 187,204	\$ 27,404
Interest Income	500	500	4,536	4,036
Other	-	-	3,737	3,737
Total Revenues	160,300	160,300	195,477	35,177
EXPENDITURES				
Wages	75,000	75,000	67,492	7,508
Fringe Benefits	13,737	13,737	10,675	3,062
Supplies	7,500	7,500	2,960	4,540
Equipment Maintenance	13,500	13,500	12,290	1,210
Building Maintenance	6,500	6,500	1,406	5,094
Administration Fee to General Fund	2,000	2,000	2,000	-
Audit	1,200	1,200	1,600	(400)
Technical Support	600	600	202	398
Dues and Memberships	600	600	450	150
Education and Training	5,000	5,000	3,663	1,337
Travel Expense	2,000	2,000	1,111	889
Insurance - Liability	10,000	10,000	10,553	(553)
Insurance - Workers Comp	3,000	3,000	4,218	(1,218)
Utilities and Communications	8,038	8,038	7,255	783
Equipment	17,000	17,000	13,361	3,639
Miscellaneous	94,625	94,625	4,148	90,477
Total Expenditures	260,300	260,300	143,384	116,916
OTHER FINANCING SOURCES/(USES)				
Operating Transfer to Other Funds	-	-	(37,000)	(37,000)
Excess (Deficiency) of Revenues over Expenditures	(100,000)	(100,000)	15,093	115,093
Fund Balance - April 1	400,838	400,838	400,838	-
Fund Balance - March 31	\$ 300,838	\$ 300,838	\$ 415,931	\$ (115,093)

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FIRE EQUIPMENT FUND
YEAR ENDED MARCH 31, 2005**

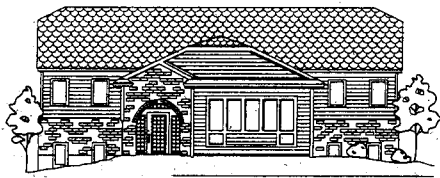
	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	\$ 56,700	\$ 56,700	\$ 61,031	\$ 4,331
Interest Income	-	-	646	646
Total Revenues	56,700	56,700	61,677	4,977
EXPENDITURES				
Fire Equipment	20,000	20,000	-	(20,000)
Payment of Debt Service	63,400	63,400	56,598	(6,802)
Interest on Long-Term Debt	-	-	6,424	6,424
Total Expenditures	83,400	83,400	63,022	(20,378)
OTHER FINANCING SOURCES/(USES)				
Operating Transfer From Other Funds	-	-	37,000	37,000
Excess (Deficiency) of Revenues over Expenditures	(26,700)	(26,700)	35,655	62,355
Fund Balance - April 1	37,494	37,494	37,494	-
Fund Balance - March 31	\$ 10,794	\$ 10,794	\$ 73,149	\$ 62,355

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
TRASH FUND
YEAR ENDED MARCH 31, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Taxes and Assessments	\$ 184,242	\$ 184,242	\$ 187,846	\$ 3,604
Interest Income	200	200	1,907	1,707
Other	1,200	1,200	1,232	32
Total Revenues	<u>185,642</u>	<u>185,642</u>	<u>190,985</u>	<u>5,343</u>
EXPENDITURES				
Wages	12,000	12,000	10,877	1,123
Fringe Benefits	918	918	832	86
Hazardous Waste Pickup	1,000	1,000	1,000	-
Equipment Maintenance	2,000	2,000	1,618	382
Repairs and Maintenance	1,250	1,250	-	1,250
Utilities and Communications	2,200	2,200	984	1,216
Insurance - Liability	1,100	1,100	1,100	-
Insurance - Workers Comp	650	650	549	101
Trash Fund Service	172,000	172,000	169,076	2,924
Equipment	1,500	1,500	-	1,500
Miscellaneous	46,024	46,024	1,356	44,668
Total Expenditures	<u>240,642</u>	<u>240,642</u>	<u>187,392</u>	<u>53,250</u>
Excess (Deficiency) of Revenues over Expenditures	(55,000)	(55,000)	3,593	58,593
Fund Balance - April 1	239,530	239,530	239,530	-
Fund Balance - March 31	<u>\$ 184,530</u>	<u>\$ 184,530</u>	<u>\$ 243,123</u>	<u>\$ 58,593</u>

**TOWNSHIP OF ROSCOMMON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Taxes and Assessments	58,328	58,328	62,731	\$ 4,403
Interest Income	-	-	2,095	2,095
Miscellaneous Income	-	-	3,914	3,914
Total Revenues	58,328	58,328	68,740	10,412
EXPENDITURES				
Maintenance	96,460	96,460	175,118	(78,658)
Miscellaneous Expense	500	500	900	(400)
Total Expenditures	96,960	96,960	176,018	(79,058)
OTHER FINANCING SOURCES/(USES)				
Loan Proceeds	-	-	250,000	250,000
Excess (Deficiency) of Revenues over Expenditures	(38,632)	(38,632)	142,722	(181,354)
Fund Balance - April 1	96,237	96,237	96,237	-
Fund Balance - March 31	57,605	57,605	238,959	\$ (181,354)



Keskin, Cook, Miller & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Richard W. Miller, C.P.A.
Ronald D. Alexander, C.P.A.
Curt A. Reppuhn, C.P.A.

June 3, 2005

To the Board of Trustees
Township of Roscommon

We have audited the financial statements of Township of Roscommon for the year ended March 31, 2005, and have issued our report thereon dated June 3, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 13, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Township of Roscommon. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Roscommon are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2005. We noted no transactions entered into by Township of Roscommon during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management's estimate of Building and Equipment useful lives affecting past/current year depreciation computations. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Roscommon's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Roscommon's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Roscommon's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. However the Sewer fund trial balance was not complete, and cash subsidiary ledgers of assessments and investment accounts had not been reconciled to the general ledger. This created some difficulty and required several adjustments to correct.

Comments & Recommendations

During our audit we noted that some eligible employees of the township were not participating in the pension program by choice. There was, however no documentation in the employee files to verify this assertion. We recommend an opt-out form be prepared and signed by the affected employees and be retained in the employee file.

As noted above, some difficulty was encountered in balancing the Sewer fund records. All subsidiary records and schedules should be reconciled to the general ledger on a regular basis.

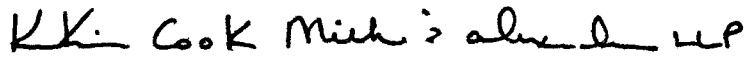
During the year ended March 31, 2005, the Township transferred its sewer fund investments to Northwestern Investment & Trust and is now invested in various fixed income U.S. Government Agency bonds. The accounting treatment for these bonds differs from the Township's previous investments in U.S Government Treasury Bills. Since these bonds are actively traded on behalf of the Township by Northwestern Investment & Trust and their market values fluctuate daily based upon several outside factors, both realized and unrealized gains and losses should be independently accounted for on a monthly basis. We would be happy to assist the Township's personnel in properly accounting for these new investments

The Township's credit card policy indicated a \$5,000 credit limit. A review of the billings revealed that the credit card Company had increased this limit without authorization by the board. Either a new limit should be adopted or the credit card Company notified of the proper limit, which should not be adjusted without proper township board approvals.

We would like to thank the Township for the opportunity to serve as your auditors. We would also like to express our appreciation for the courtesy and cooperation

extended to us during the audit. As always, please feel free to call with questions regarding the information above or that which is presented in the basic financial statements.

Very truly yours,

A handwritten signature in dark ink, appearing to read "K. Cook". The signature is fluid and cursive, with a stylized "K" and a trailing flourish.

Keskine, Cook, Miller & Alexander LLP